tamarack valley ENERGY

TSX: TVE

Tamarack Valley Energy Ltd. Announces 2020 Third Quarter Results & Guidance Update

Calgary, Alberta – November 10, 2020 – Tamarack Valley Energy Ltd. ("Tamarack" or the "Company") is pleased to announce its financial and operating results for the three and nine month periods ended September 30, 2020. Selected financial and operational information is outlined below and should be read in conjunction with Tamarack's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and related management's discussion and analysis ("MD&A") which are available on SEDAR at www.sedar.com and on Tamarack's website at www.tamarackvalley.ca.

Message to Shareholders

Considerable market volatility has dominated 2020 to date, although the third quarter saw an improvement in WTI benchmark prices. Given the persistent uncertainty, Tamarack continues to effectively manage the business through a disciplined capital program and unwavering focus on generating free adjusted funds flow[1] . This strategy is designed to protect our financial strength and enhance the long-term sustainability of the Company.

Looking forward, Tamarack remains well positioned to navigate the uncertain commodity environment and deliver shareholder value through:

- A strong balance sheet, with year-end net debt to trailing annual adjusted funds flow[1] forecasted to be approximately 1.5 times exiting 2020;
- Free adjusted funds flow[1] generation in 2020;
- Prudent risk management including a robust hedge book for the remainder of 2020 and the first half of 2021;
- A diverse drilling inventory which allowed us to accelerate natural gas drilling opportunities into Q4/20 from Q1/21 to capture strength in winter gas prices and take advantage of lower service costs;
- Enhanced sustainability due to lower corporate declines associated with a disciplined capital program, the impact of a low decline asset acquisition and the ongoing success of our Veteran Waterflood program; and
- Continued dedication to upholding the health and safety of our skilled and valued employees, as well as the residents in all of the communities where we operate.

I am particularly proud to highlight our commitment to environmental, social and governance ("ESG") principles with the publication of our inaugural Sustainability Report. This report, titled "Future Forward Energy", highlights Tamarack's approach to sustainability including our commitment to greenhouse gas emissions management as well as building on our Indigenous and community partnerships within the areas where we operate. In addition, the report highlights specific and measurable goals and targets related to key priorities established by the Company.

On behalf of Tamarack's management team and Board of Directors, we would like to thank our shareholders, employees and other stakeholders for their ongoing support during these turbulent times.

((signed))

Brian Schmidt
President and CEO

[1] See "non-IFRS measures"

Third Quarter 2020 Highlights

The third quarter was characterized by continued uncertainty facing the oil and gas sector, largely related to range-bound WTI prices caused by the demand outlook due to the COVID-19 pandemic. Despite these challenges, Tamarack was able to manage our business effectively through this cycle, as we recorded the following:

- Free adjusted funds flow[1] of approximately $20.5 million, which represented a total payout ratio[1] of approximately 34%;
- Average production of 21,533 boe/d in Q3/20, representing an increase of approximately 3% over Q2/20;
- Investment of approximately $10.4 million in exploration and development capital expenditures, directed to the equipping of one (1.0 net) Banff oil well plus continued investment in our Veteran Viking waterflood program with the drilling, completion and tie-in of a six-well pad along with one water source well;
- Completion of an asset acquisition on July 9, 2020 for $4.0 million which included approximately 2,500 boe/d of production;
- Operating netback[1] of $17.93/boe which contributed to adjusted funds flow[1] of $30.8 million ($0.14 per share basic and diluted); and
- Reduction of net debt[1] to $199.6 million at quarter-end, a 6% decrease compared to $213.1 million at the end of Q2/20.

As at September 30, 2020, the Company had drawn $199.0 million against its $275 million bank syndicated credit facility, with redetermination of the facility currently ongoing. Tamarack expects to generate adjusted funds flow[1] over and above planned capital expenditures and the Company continues to be well positioned from a liquidity standpoint.

[1] See “Non-IFRS Measures”

Financial & Operating Results

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% change	**2020**	2019	% change
($ thousands, except per share)						
Total oil, natural gas and processing revenue	**57,790**	90,542	(36)	**157,200**	284,686	(45)
Cash flow from operating activities	**26,965**	42,199	(36)	**101,431**	150,608	(33)
Per share – basic	**$ 0.12**	$ 0.19	(37)	**$ 0.46**	$ 0.67	(31)
Per share – diluted	**$ 0.12**	$ 0.19	(37)	**$ 0.46**	$ 0.65	(29)
Adjusted funds flow [1]	**30,837**	49,283	(37)	**93,854**	164,692	(43)
Per share – basic [1]	**$ 0.14**	$ 0.22	(36)	**$ 0.42**	$ 0.73	(42)
Per share – diluted [1]	**$ 0.14**	$ 0.22	(36)	**$ 0.42**	$ 0.71	(41)
Net income (loss)	**(5,776)**	(111)	5,104	**(293,164)**	11,535	(2,642)
Per share – basic	**$ (0.03)**	(0.00)	–	**$ (1.32)**	$ 0.05	(2,740)
Per share – diluted	**$ (0.03)**	(0.00)	–	**$ (1.32)**	$ 0.05	(2,740)
Net debt [1]	**(199,561)**	(213,140)	(6)	**(199,561)**	(213,140)	(6)
Capital expenditures [2]	**10,364**	58,867	(82)	**90,455**	156,012	(42)
Weighted average shares outstanding *(thousands)*						
Basic	**221,611**	225,271	(2)	**221,610**	225,864	(2)
Diluted	**221,611**	225,271	(2)	**221,610**	231,565	(4)
Share Trading *($ per share, except volume)*						
High	**$ 1.09**	$ 2.44	(55)	**$ 2.27**	$ 3.09	(27)
Low	**$ 0.70**	$ 1.66	(58)	**$ 0.39**	$ 1.66	(77)
Trading volume (thousands)	**56,013**	27,820	101	**181,659**	144,882	25
Average daily production						
Light oil (bbls/d)	**10,309**	12,748	(19)	**11,424**	12,892	(11)
Heavy oil (bbls/d)	**159**	440	(64)	**165**	481	(66)
NGL (bbls/d)	**2,162**	1,779	22	**1,766**	1,584	11
Natural gas (mcf/d)	**53,420**	55,224	(3)	**51,986**	53,101	(2)
Total (boe/d)	**21,533**	24,171	(11)	**22,019**	23,807	(8)
Average sale prices						
Light oil ($/bbl)	**46.77**	65.10	(28)	**39.58**	66.96	(41)
Heavy oil ($/bbl)	**38.31**	56.74	(32)	**35.27**	54.45	(35)
NGL ($/bbl)	**23.57**	19.08	24	**19.29**	26.91	(28)
Natural gas ($/mcf)	**1.61**	1.54	5	**1.53**	2.00	(24)
Total ($/boe)	**29.02**	40.28	(28)	**25.97**	43.60	(40)
Operating netback ($/Boe)[1]						
Average realized sales	**29.02**	40.28	(28)	**25.97**	43.60	(40)
Royalty expenses	**(2.87)**	(4.36)	(34)	**(2.95)**	(4.46)	(34)
Net production and transportation expenses	**(10.64)**	(9.87)	8	**(10.21)**	(10.06)	1
Operating field netback ($/Boe)[1]	**15.51**	26.05	(40)	**12.81**	29.08	(56)
Realized commodity hedging gain (loss)	**2.42**	(1.55)	(256)	**5.28**	(1.21)	(536)
Operating netback	**17.93**	24.50	(27)	**18.09**	27.87	(35)
Adjusted funds flow ($/Boe)[1]	**15.57**	22.16	(30)	**15.56**	25.34	(39)

Notes:

(1) Net debt, adjusted funds flow, operating netback and operating field netback do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. See “Non-IFRS Measures”.

(2) Capital expenditures include exploration and development expenditures but exclude asset acquisitions and dispositions.

Updated Guidance & 2021 Capital Acceleration

Tamarack has elected to accelerate approximately $9.4 million of capital from our Q1/21 program into Q4/20 to take advantage of stronger winter gas pricing and lower service costs. The accelerated program includes drilling two Cardium horizontal wells in Alder Flats along with one Viking horizontal natural gas well in Saskatchewan. The capital will be funded through 2020 free adjusted funds flow[1]. Tamarack has increased our 2021 natural gas hedging program to lock in the rate of return on this accelerated capital. Tamarack expects to release a 2021 capital budget in January, 2021 which is anticipated to be fully funded by internally-generated funds.

Pro-Forma 2020 Updated Guidance

	November 10, 2020 Updated Guidance	July 9, 2020 Guidance
Full Year Capital Budget (including Acquisitions & ARO spend) ($MM)	$111	$101
Annual Average Production (boe/d)	21,500	20,850 - 21,250
Annual Average Oil & Natural Gas Liquids Weighting (%)	~60%	~60-62%
Free Adjusted Funds Flow(1) (Inclusive of ARO Spend) ($MM)	$10	$15-20
2021 Estimated Corporate Decline Rate(2)	22-24%	22-24%

(1) See "Non-IFRS Measures"
(2) Based on December 2020 to December 2021 estimates

This guidance is based on average 2020 commodity price assumptions of WTI US$38.50/bbl, MSW/WTI differential of US$5.30/bbl and AECO at $2.20/GJ as well as a Canadian/US dollar exchange rate of $1.3450.

About Tamarack Valley Energy Ltd.

Tamarack is an oil and gas exploration and production company committed to long-term growth and the identification, evaluation and operation of resource plays in the Western Canadian Sedimentary Basin. Tamarack's strategic direction is focused on two key principles: (i) targeting repeatable and relatively predictable plays that provide long-life reserves; and (ii) using a rigorous, proven modeling process to carefully manage risk and identify opportunities. The Company has an extensive inventory of low-risk, oil development drilling locations focused primarily in the Cardium and Viking fairways in Alberta that are economic over a range of oil and natural gas prices. With this type of portfolio and an experienced and committed management team, Tamarack intends to continue delivering on its strategy to maximize shareholder returns while managing its balance sheet.

Abbreviations

AECO	the natural gas storage facility located at Suffield, Alberta connected to TC Energy's Alberta System
bbls	barrels
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
GJ	gigajoule
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day

[1] see "Non-IFRS Measures"

MSW	Mixed sweet blend, the benchmark for conventionally produced light sweet crude oil in Western Canada
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade

Disclosure of Oil and Gas Information

Unit Cost Calculation. For the purpose of calculating unit costs, natural gas volumes have been converted to a boe using six thousand cubic feet equal to one barrel unless otherwise stated. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with Canadian Securities Administrators' National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. Boe may be misleading, particularly if used in isolation.

Forward Looking Information

This press release contains certain forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "guidance", "outlook", "anticipate", "target", "plan", "continue", "intend", "consider", "estimate", "expect", "may", "will", "should", "could" or similar words suggesting future outcomes. More particularly, this press release contains statements concerning: Tamarack's business strategy, objectives, strength and focus; Tamarack's commitment to ESG principles, measures taken in response to COVID-19 and plans relating thereto; Tamarack's hedging position; Tamarack's liquidity and financial position, the factors contributing thereto, the impact thereof and plans relating thereto; Tamarack's updated 2020 guidance, drilling program and capital acceleration; the release of a 2021 capital budget and the timing thereof; and the availability and use of the credit facility.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Tamarack, including relating to: prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products; the availability and performance of drilling rigs, facilities, pipelines and other oilfield services; the timing of past operations and activities in the planned areas of focus; the drilling, completion and tie-in of wells being completed as planned; the performance of new and existing wells; the application of existing drilling and fracturing techniques; prevailing weather and break-up conditions; royalty regimes and exchange rates; the application of regulatory and licensing requirements; the continued availability of capital and skilled personnel; the ability to maintain or grow the banking facilities; the accuracy of Tamarack's geological interpretation of its drilling and land opportunities, including the ability of seismic activity to enhance such interpretation; and Tamarack's ability to execute its plans and strategies.

Although management considers these assumptions to be reasonable based on information currently available, undue reliance should not be placed on the forward-looking statements because Tamarack can give no assurances that they may prove to be correct. By their very nature, forward-looking statements are subject to certain risks and uncertainties (both general and specific) that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: the oil and gas industry in general (e.g. operational risks in development, exploration and production; and delays or changes in plans with respect to exploration or development projects or capital expenditures); commodity prices; the uncertainty of estimates and projections relating to production, cash generation, costs and expenses; health, safety, litigation and environmental risks; access to capital; and the COVID-19 pandemic. Due to the nature of the oil and natural gas industry, drilling plans and operational activities may be delayed or modified to react to market conditions, results of past operations, regulatory approvals or availability of services causing results to be delayed. Please refer to Tamarack's annual information form for the year ended December 31, 2019 (the "AIF"), management's discussion and analysis for the year ended December 31, 2019 (the "2019 MD&A") and the MD&A

for additional risk factors relating to Tamarack. The AIF, the 2019 MD&A and the MD&A can be accessed either on Tamarack's website at www.tamarackvalley.ca or under the Company's profile on www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Tamarack's prospective results of operations and production, corporate decline rates, balance sheet, net-debt, year-end net debt to trailing annual adjusted funds flow ratio, adjusted funds flow, free adjusted funds flow, operating netback, operating field netback, total payout ratio, shareholder value and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this document was made as of the date of this document and was provided for the purpose of providing further information about Tamarack's future business operations. Tamarack disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

Non-IFRS Measures

Certain financial measures referred to in this press release, such as adjusted funds flow, free adjusted funds flow, net debt, year-end net debt to trailing annual adjusted funds flow ratio, operating netback, operating field netback and total payout ratio are not prescribed by IFRS. Tamarack uses these measures to help evaluate its financial and operating performance as well as its liquidity and leverage. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

"Adjusted funds flow" is calculated by taking cash-flow from operating activities and adding back changes in non-cash working capital and expenditures on decommissioning obligations since Tamarack believes the timing of collection, payment or incurrence of these items is variable. Expenditures on decommissioning obligations may vary from period to period depending on capital programs and the maturity of the Company's operating areas. Expenditures on decommissioning obligations are managed through the capital budgeting process which considers available adjusted funds flow. Tamarack uses adjusted funds flow as a key measure to demonstrate the Company's ability to generate funds to repay debt and fund future capital investment. Adjusted funds flow can also be calculated on a per boe basis. Adjusted funds flow per share is calculated using the same weighted average basic and diluted shares that are used in calculating income (loss) per share.

"Free adjusted funds flow" is calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions. Management believes that free adjusted funds flow provides a useful measure to determine Tamarack's ability to improve returns and to manage the long-term value of the business.

"Net debt" is calculated as bank debt plus working capital surplus or deficit, including the fair value of cross-currency swaps and excluding the fair value of financial instruments and lease liabilities.

"Year-end net debt to trailing annual adjusted funds flow ratio" is calculated as estimated year-end net debt divided by the estimated adjusted funds flow for the four preceding quarters at year-end.

"Operating netback" is calculated as total petroleum and natural gas sales, including realized gains and losses on commodity, foreign exchange and interest rate derivative contracts, less royalties and net production and transportation costs and can also be calculated on a per boe basis. “Operating field netback” is calculated as total petroleum and natural gas sales, less royalties and net production and transportation costs and can also be calculated on a per boe basis.

“Total payout ratio” is calculated as capital expenditures excluding acquisitions and dispositions, divided by adjusted funds flow. Management considers total payout ratio an important measure to evaluate its operational performance and capital allocation processes. It demonstrates the return of cash flow and allows the Company to understand how a capital program is funded under different operating scenarios, which helps assess the Company’s ability to generate value.

Please refer to the MD&A for additional information relating to Non-IFRS measures. The MD&A can be accessed either on Tamarack’s website at www.tamarackvalley.ca or under the Company’s profile on www.sedar.com.

For additional information, please contact:

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